STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A PENSION TRUST FUND OF THE STATE OF MARYLAND

FOR THE YEAR ENDED JUNE 30, 2004

Prepared by:
State Retirement Agency of Maryland
120 East Baltimore Street
Baltimore, Maryland 21202

State Police Retirement System

The General Assembly added a third benefit system, the State Police Retirement System, in 1949. Membership in the police system is restricted to uniformed employees of the Maryland State Police. The mission of the Maryland State Police is to fulfill its role as the state's lead coordinating law enforcement organization with commitment to pride, equality, respect and dignity. More than 1,400 officers throughout 23 counties strive to improve the quality of life for the citizens of Maryland by ensuring public safety.

CHIEF INVESTMENT OFFICERS REPORT

OVERVIEW

The State Retirement and Pension System (SRPS) returned 16.2 percent for the fiscal year ended June 30, 2004. This was a strong year not only in terms of absolute returns, but was also favorable versus peers, with the return exceeding the median return of all public funds with assets over $1 billion for the first time since fiscal year 2000.

Domestic and international equity markets rebounded strongly from three poor years, triggered by signs of a recovering economy. For the year, the S&P 500 increased by 19.1 percent while international stocks, as measured by the EAFE index, returned 32.4 percent. Bonds eked out a slight positive return, 0.3 percent for the Lehman Aggregate index, due to the low level of interest rates. This followed three very strong years in the bond market. Real estate continued to have strong performance, with the NCREIF property index (one quarter lagged) gaining 9.7 percent and the Wilshire REIT index 29.3 percent.

We have had a number of important initiatives for the year, one of which I'd like to highlight. In response to concerns about corporate scandals, which have been all too prevalent, the Board authorized formation of a Corporate Governance subcommittee. This subcommittee is focused on our role as steward of $30 billion of assets, and the concomitant responsibility of holding the companies that we invest in accountable for actions that impact those assets. Board and Staff resources have been dedicated to this role, which will include revising proxy voting guidelines consistent with our fiduciary and stewardship responsibilities.

Our focus for fiscal year 2005 is a review of our asset allocation. With the low level of interest rates and valuations in the equity markets not particularly compelling, returns over the intermediate future are expected to be modest compared to returns we saw during the 1990s. Given the difficult investment environment and the fact that risk needs to be taken to increase expected returns, we are searching for the optimal tradeoff that will provide an attractive return expectation, while also maintaining risk at acceptable levels.

We are pleased that SRPS was able to deliver above-median returns for fiscal year 2004 for our plan participants and beneficiaries. While we realize markets are cyclical and returns will not always be at 2004 levels, you can be assured we will continue to strive for competitive returns going forward in a challenging market environment.

INVESTMENT POLICY AND OBJECTIVES

The Board of Trustees is charged with the responsibility of managing the assets of the State Retirement and Pension System. The Board is required to exercise its fiduciary duties solely in the interest of the participants, with the care, skill and diligence that a prudent expert would ordinarily exercise under similar circumstances. This standard of care not only permits but also encourages diversifying investments across various asset classes.

Investment objectives are implemented according to investment policies developed by the Board. The prudent person standard allows the Board to establish investment policies based on investment criteria that it defines, and it allows the Board to delegate investment authority to investment professionals. System assets are managed almost exclusively by external investment management firms, who employ both active and passive strategies. Firms retained must have a demonstrated performance record and a clearly defined and consistently applied investment process.

Investment objectives are designed to support fulfillment of the Agency's mission, which is to optimize risk-adjusted returns in order to ensure timely payment of benefits to members and beneficiaries. SRPS is a long-term investor, and consequently, long-term results are emphasized over short-term gains.

The Board has invested SRPS' assets with the goal of achieving an annualized investment return that:

1. **Meets or exceeds the System's static investment policy benchmark.** The static policy benchmark is the weighted average of the benchmarks for each asset class, using the target weightings for each asset class. The static policy benchmark enables a comparison to be made of the System's actual performance to a passively managed proxy, and facilitates measurement of the value added from active management and policy implementation.
2. **Provides at least a 3 percent real rate of return (return in excess of U.S. inflation).** The infla-

tion related objective compares the investment performance against the rate of inflation as measured by the Consumer Price Index (CPI) plus 3.0 percent. The inflation measure provides a link to SRPS' liabilities, as they are indexed to inflation through cost-of-living adjustments.

3. **Equals or exceeds the actuarial investment return assumption of the System adopted by the Board of Trustees.** The actuarial return assumption is reviewed and monitored as a measure of the expected long-term rate of growth of SRPS' assets. The actuarial rate of interest as of June 30, 2004 was 7.75 percent. When adopting the actuarial rate of interest, the Board anticipates, and fully expects, that the investment portfolio will achieve higher returns in some years and lower returns in other years.

The Board also weighs three liability-oriented objectives when making asset allocation determinations. The liability-oriented objectives are:

1. To achieve and maintain a fully funded pension plan.
2. To minimize contribution volatility year to year.
3. To achieve parity of assets and liabilities, and surplus assets.

Asset allocation is a key determinant of a successful investment program, and may be responsible for determining as much as 90 percent of the plan's return in a given year. The Board takes both asset and liability side considerations into account when determining its asset allocation policy.

Asset allocation policy targets are determined recognizing that liabilities (future benefits payments to SRPS' participants and beneficiaries) must be paid in a full and timely manner. To ensure this, there is a dual focus. First of all, there is a focus on long-term return, to ensure an attractive rate of return on plan assets over the period benefits must be paid. Secondly, there is a focus on risk. This entails diversifying assets, with a recognition that individual asset classes can be volatile over shorter time horizons, but diversification will often serve to lower overall portfolio volatility.

As of June 30, 2004, the Board-approved policy targets and ranges were:

ASSET CLASS		TARGET	RANGE
Equity Assets			
	Domestic Equities	48%	43 - 53%
	International Equities	15%	12 – 18%
	Private Equity	2%	0 – 3%
Equity Total		**65%**	**60 - 70%**
Fixed Income		**30%**	**25 - 35%**
Real Estate		**5%**	**3 – 7%**
TOTAL ASSETS		**100%**	

The only change in policy targets from fiscal year 2003 was an increase in the private equity target from 1 percent to 2 percent, with a corresponding reduction in domestic equities. The Board approved the hiring of a private equity consultant to implement this increased exposure to private equity.

INVESTMENT PERFORMANCE

Investment performance is calculated using time-weighted rates of return in compliance with AIMR standards. Total return includes interest and dividends, as well as capital appreciation.

The investment program realized a return of 16.2 percent for fiscal year 2004. Annualized returns for the 3, 5, and 10-year periods ending June 30 were 3.5 percent, 2.3 percent and 8.2 percent, respectively.

The market value of System assets increased from $26.7 billion on June 30, 2003 to $30.1 billion on June 30, 2004. The System's equity investments returned 23.1 percent, with U.S. equities returning 21.6 percent and international equities returning 28.6 percent. The System's fixed income investments returned 1.6 percent, and real estate 20.4 percent.

The System attained its three broad investment objectives this fiscal year – exceeding the return of the static policy benchmark, exceeding a 3 percent real rate of return (after inflation), and exceeding the actuarial assumed rate of 7.75 percent. Outperformance of the plan policy benchmark was driven by manager value-added in U.S. Equities, Fixed Income, and Real Estate. This more than offset the manager impact on International Equity, as returns on this asset class fell short of benchmark despite returning a strong 28.6 percent.

Returns and Exposures were as follows:

	SRPS Performance	FY 2004 Benchmark Performance	SPRS Exposure
Equity Markets	21.6%		48.7%
U.S. Equities			
Russell 3000		20.5%	
S&P 500		19.1%	
Russell 2000		33.4%	
International Equities	28.6%		15.3%
MSCI ACWI ExUS		32.0%	
MSCI EAFE		32.4%	
Private Equity	13.6%		0.3%
S&P 500 + 500		24.1%	
Real Estate	20.4%		6.8%
Russell NCREIF			
(1 quarter lag)		9.7%	
Dow Wilshire Real Estate Securities		29.3%	
Bond Markets	1.6%		28.9%
Lehman Brothers Universal Bond Index		1.0%	
Lehman Brothers Aggregate Bond Index		0.3%	
Merrill Lynch High Yield Index		10.2%	

ECONOMIC AND CAPITAL MARKET OVERVIEW

The Federal Reserve kept the Federal Funds rate at 1.00 percent until the last day of the fiscal year, June 30, when it raised the benchmark rate to 1.25 percent. This increase was largely expected by the market as growth took hold and several key inflation indicators rose, and the unemployment rate began to decline. The expectation is that this was the first in a series of tightening moves by the Federal Reserve to return monetary policy closer to a neutral stance, but the Fed will be watching economic signs closely for any sign of weakness.

In anticipation of Fed tightening, interest rates increased. The ten-year Treasury yield increased by more than 100 basis points during the year, rising from 3.52 percent to 4.58 percent. The yield return on bonds over this period was largely offset by capital losses due to the increase in interest rates.

Equities reacted to stronger growth with strong returns, mainly in the first seven months of the fiscal year. Beginning in February, equities leveled off due to uncertainty on several fronts – the extent of Federal Reserve interest rate increases, oil prices, the presidential election, the war in Iraq, the direction of the dollar, and inflation.

PUBILC EQUITY

On June 30, 2004, SRPS had $19.3 billion invested in public equities comprised of $14.7 billion in U.S. equities and $4.6 billion in international equities. These assets were placed with sixteen external managers and broadly diversified among the major countries and industrial sectors of the developed and emerging markets. The managers use active and passive strategies, with the goal of active strategies being to outperform their assigned benchmark, net of fees, over three to five years.

U.S. EQUITIES

U.S. equity returns are benchmarked against the Russell 3000 Index. On June 30, slightly more than 68 percent of U.S. equities, or $10 billion, was invested in two passive index strategies. The remaining 32 percent, or $4.7 billion, was allocated among 12 active managers whose styles include micro cap, small cap value, small cap growth, mid cap value, large cap value, large cap growth and large cap core.

U.S. Equity	$Millions	% of Total
Passively Managed		
Barra Growth	724	3.8%
Russell 3000	9,301	48.3%
Total Passive	10,025	52.1%
Actively Managed		
Large cap value	1,775	9.2%
Large cap growth	883	4.6%
Large cap core	470	2.4%
Mid cap value	296	1.5%
Small cap growth	290	1.5%
Small cap value	133	0.7%
Micro cap	507	2.6%
Total Active	4,354	22.6%
Convertible securities	275	1.4%
Total U.S. Equity	**14,654**	**76.1%**

For the fiscal year, returns on the SRPS U.S. equity portfolio of 21.6 percent exceeded the 20.5 percent return of the Russell 3000 as well as the 19.1 percent return of the S&P 500 Index. Over this period, small cap stocks outperformed large cap stocks and value stocks outperformed growth stocks, continuing a trend of the past several years. However, in the final quarter of fiscal 2004, these trends seemed to be reversing as large cap growth stocks outperformed large cap value stocks.

INTERNATIONAL EQUITIES

International equity returns are benchmarked against the Morgan Stanley Capital International All Country World ex U.S. Index. At the end of fiscal year, approximately 15 percent, or $689 million, was invested in a passive index strategy while the remaining 85 percent, or $3.9 billion, was invested with four active managers employing three styles: large cap growth, large cap value, and large cap core.

The international equity portfolio returned 28.6 percent in fiscal 2004. Despite this strong positive performance, the managers' combined returns were under the 32.0 percent return of the Morgan Stanley Capital International All Country World ex U.S. Index. Within the index, emerging market equities exhibited the strongest growth, returning 33.1 percent for the year; however, in the fourth quarter, returns were down 9.6 percent. Our portfolio's underperformance was due to underweighting in emerging markets and smaller cap stocks.

PRVIATE EQUITY

The System has previously committed $250 million to private equity through three fund-of-funds managers. As of June 30, 2004, $133.7 million of this amount had been invested. The portfolio is well-diversified across strategy, region, industry and vintage year.

The Board of Trustees adopted significant changes to the private equity program during the fiscal year ending 2004. The target allocation to private equity was increased from 1 percent of total fund assets to 2 percent, raising the current target to $600 million. In addition, the Board hired Altius Associates Limited as the System's private equity consultant. These changes have put the System in position to take advantage of investment opportunities in private equity and venture capital. We anticipate commitments to be made under this increased allocation beginning in the second quarter of fiscal year 2005.

FIXED INCOME

The SRPS has $8.7 billion invested in fixed income. The objective of the fixed income portfolio is to outperform the Lehman Universal Bond Index. Seven external firms manage our fixed income funds, with $3.7 billion (43 percent) in strategies indexed to the Lehman Aggregate Bond Index. The remainder is actively managed, predominantly in core plus accounts which seek to outperform standard bond indices by investing small allocations in high yield, emerging market, and international bonds. We also have 3 percent of our fixed income portfolio invested on a stand alone basis with high yield managers.

Thirty year Treasury bonds returned -5.5 percent in the fiscal year ended June 30, 2004 as interest rates increased by 75 basis points. Returns were also negative for five and ten year Treasuries due to increasing interest rates. However, our fixed income portfolio was able to capture better performance by diversifying into other bond market sectors through our external managers.

The SRPS fixed income portfolio holdings returned 1.6 percent versus 1.0 percent for its benchmark, the Lehman

Universal Index. This was largely due to strong high yield performance, as well as active management by our managers that resulted in above-benchmark returns.

Returns in some fixed income subsectors which contributed to our outperformance were as follows:

High Yield Bonds: 10.2%
Non-dollar Bonds: 5.7%
Emerging Market Bonds: 4.7%
Treasury Inflation Protected Bonds: 3.9%
Mortgage-Backed Securities: 2.2%

Fixed income markets often provide a more stable, less volatile return than equity markets. The environment going forward will provide challenges, especially if interest rates increase, as these interest rate increases translate into falling bond prices. To best position for this environment, we have given our core plus managers flexibility to seek out the markets with the highest returns.

REAL ESTATE

The SRPS has real estate assets valued at $2.0 billion as of June 30, 2004, invested in a combination of strategies—Direct Ownership, Commingled Real Estate Funds, Real Estate Limited Partnerships, and Real Estate Investment Trusts. The objective is to achieve a total return that exceeds the return of the Property Index as measured by the National Council of Real Estate Investment Fiduciaries. The SRPS engages five real estate managers toward meeting those objectives.

With lower expected returns from traditional asset classes, demand for real estate from institutional investors is continuing due to high recent risk-adjusted returns as well as diversification benefits. This is being driven by attractive yields versus fixed income alternatives, as well as the expectation that improving real estate fundamentals will follow the improvement in economic growth.

Returns on the real estate portfolio placed in the first quartile of real estate performance with total returns of 20.4 percent, 11.6 percent, and 11.9 percent for one, three, and five year periods ended June 30, 2004, respectively, when compared with public pension plans that invest in real estate assets and have total assets greater than $1 billion.

CORPORATE GOVERNANCE

In fiscal year 2004, the Board of Trustees established a formal corporate governance program, and appointed members to a Corporate Governance Subcommittee. The Subcommittee's role is to provide recommendations to the Board of Trustees concerning the development and implementation of the Retirement System's corporate governance program. The program is based on the proposition that the integrity of the capital markets directly affects the Retirement System and all of its participants and stakeholders. Our belief is that responsible governance practices should be followed by all entities in which Retirement System assets are invested. The Board of Trustees will actively work to ensure that such standards are met by these entities.

SRPS considers its proxies to be an asset of the System and has taken responsibility for voting them for a number of years. In order to further encourage good governance, the Subcommittee has been reviewing and revising the System's proxy voting guidelines and establishing new procedures, which include hiring a firm to provide research and advice. During the year that ended June 30, 2004, the System voted 888 proxy ballots for 758 companies. Proxy votes for shares of commingled funds and international investments are typically delegated to the managers of those respective funds.

Respectfully submitted,

Steven C. Huber
Chief Investment Officer

INVESTMENT PORTFOLIOS BY MANAGER

as of June 30, 2004

(Expressed in Thousands)

	Fair Value	Investment Advisory Fee
Equity Managers		
State Street Global Advisors	$10,683,368	$ 1,158
Capital Guardian Trust Company	1,549,906	4,613
Bank of Ireland Asset Management Limited	1,270,760	2,963
Templeton Investment Counsel, Inc.	972,622	2,759
Wellington Management Co. LLP	880,751	2,000
Legg Mason Capital Management, Inc.	783,137	2,157
Artisan Partners Limited Partnership	578,703	1,831
Robert W. Torray & Co., Inc.	514,109	1,782
Dimensional Fund Advisors, Inc.	505,363	1,093
Ariel Capital Management, Inc.	294,789	998
Advent Capital Management	273,956	1,305
Relational Investors, LLC	250,008	4,570
The Edgar Lomax Company	223,664	747
T. Rowe Price Associates, Inc.	132,943	718
Brown Capital Management, Inc.	106,432	1,064
Brown Investment Advisory & Trust Company	94,832	556
Trust Company of the West (TCW)	87,447	597
Adams Street Partners, LLC	41,209	847
HarbourVest Partners, LLC	40,191	1,000
Abbott Capital Management, LLC	25,736	330
Internally Managed	7,476	N/A
Other *	17	83
	$19,317,419	$ 33,171

	Fair Value	Investment Advisory Fee
Fixed Income Managers		
State Street Global Advisors	$3,687,319	$ 426
Western Asset Management	1,732,976	2,089
Pacific Investment Management Company	1,543,165	3,065
Payden & Rygel Investment Management	947,175	1,023
Bridgewater Associates, Inc.	501,779	616
Fountain Capital Management, LLC	123,142	524
W.R. Huff Asset Management Co., LLC	112,724	1,637
Internally Managed	24,661	N/A
Other*	43	79
	$8,672,984	$ 9,459
Real Estate Managers		
LaSalle Investment Management Securities, L.P.	$ 869,594	$ 1,691
LaSalle Investment Management, Inc.	375,421	3,170
Internally Managed	374,244	N/A
J.P. Morgan Investment Management, Inc.	231,690	1,692
Prudential Investment/CIGNA	122,006	1,790
Lubert-Adler Management, Inc.	54,619	895
Chesapeake Maryland Limited Partnership	12,520	302
	$2,040,094	$ 9,540

* Investment managers no longer under contract as of 6/30/04.

INVESTMENT PORTFOLIO SUMMARY

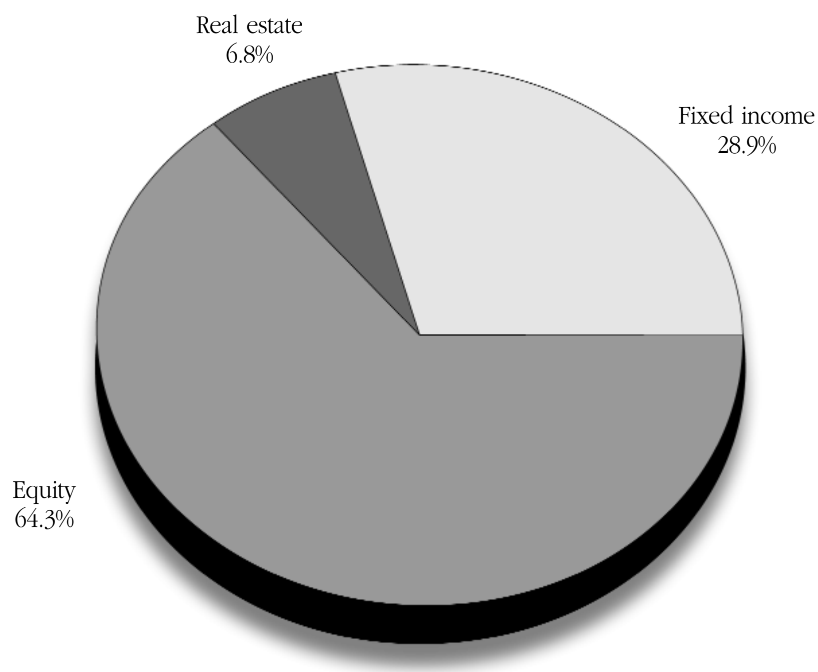
as of June 30, 2004 and 2003

(Expressed in Thousands)

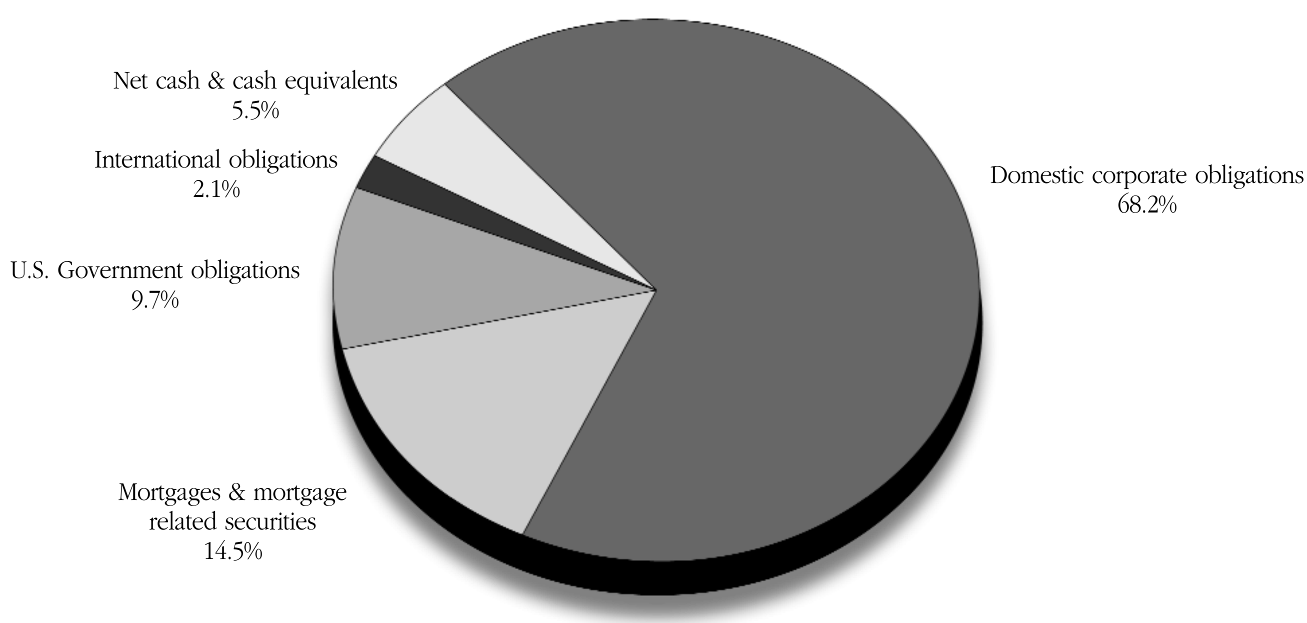
	2004		2003	
	Fair Value	% of Fair Value	Fair Value	% of Fair Value
Fixed Income				
Domestic corporate obligations	$ 5,915,050	19.7%	$ 3,955,314	14.8%
Mortgages & mortgage related securities	1,255,142	4.2	1,522,255	5.7
U.S. Government obligations	843,134	2.8	2,439,957	9.2
International obligations	185,974	0.6	66,099	0.2
Net cash & cash equivalents	473,686	1.6	362,696	1.4
* Total Fixed Income	**8,672,986**	**28.9**	**8,346,321**	**31.3**
Equity				
Domestic stocks	14,486,273	48.2	11,216,650	42.1
International stocks	4,574,130	15.2	3,981,883	15.0
Alternative investments	107,134	0.4	78,940	0.3
Net cash & cash equivalents	149,881	0.5	1,297,220	4.9
Total Equity	**19,317,418**	**64.3**	**16,574,693**	**62.3**
Real Estate				
Real Estate Investment Trusts	1,048,083	3.5	800,525	3.0
Pooled funds	353,620	1.2	385,082	1.4
Directly owned real estate	426,546	1.4	386,425	1.5
Alternative investments	67,124	0.2	55,102	0.2
Net cash & cash equivalents	144,721	0.5	74,248	0.3
Total Real Estate	**2,040,094**	**6.8**	**1,701,382**	**6.4**
Total Potfolio	**$30,030,498**	**100.0%**	**$26,622,396**	**100.0%**

* Security Lending collateral payable has been netted against the actual collateral. The amounts net to zero.

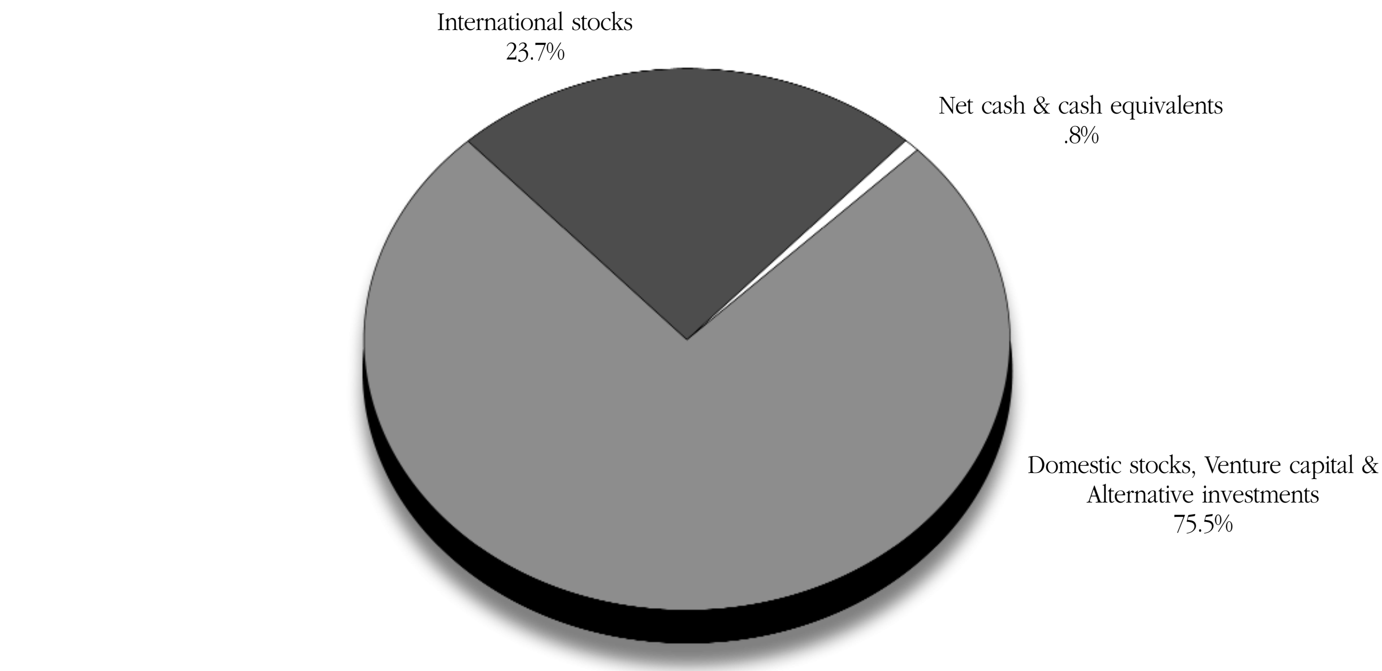
INVESTMENT PORTFOLIO ALLOCATION
as of June 30, 2004



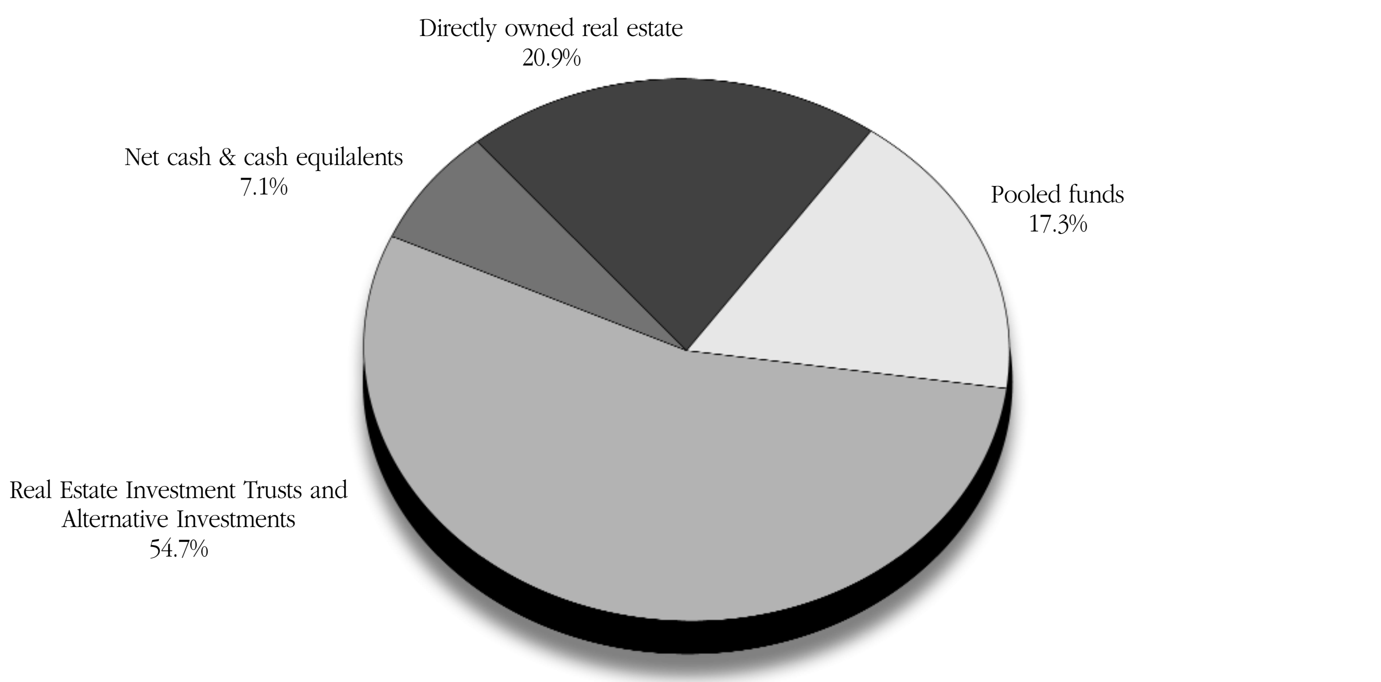
FIXED INCOME DISTRIBUTION BY TYPE
as of June 30, 2004



EQUITY DISTRIBUTION BY TYPE
as of June 30, 2004

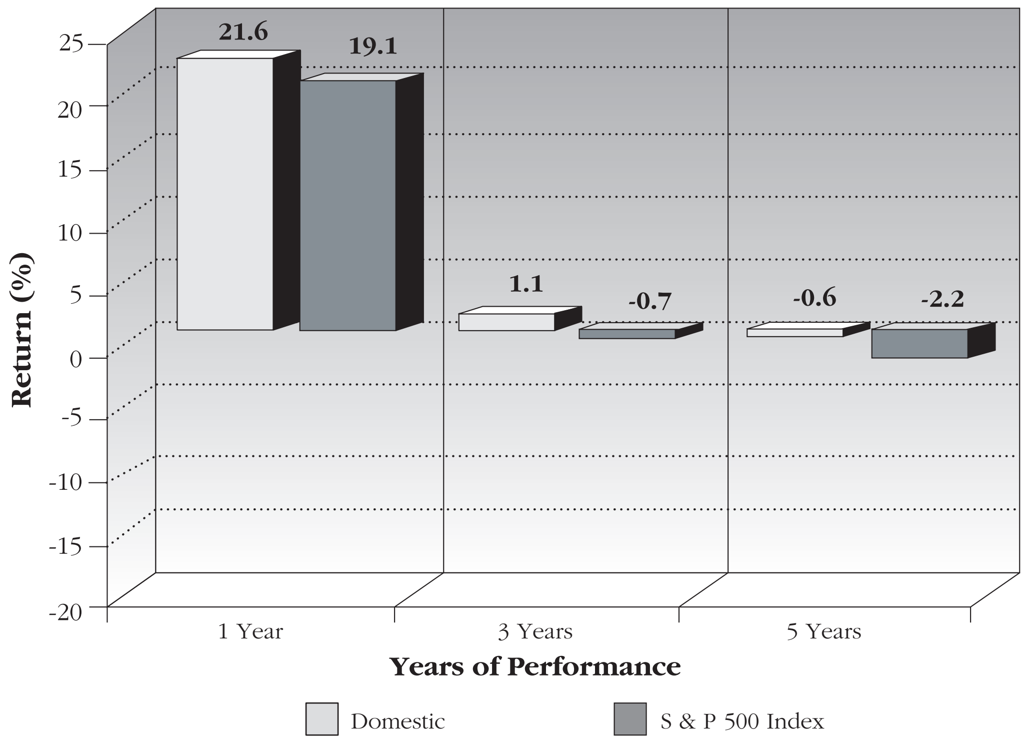


REAL ESTATE DISTRIBUTION BY TYPE
as of June 30, 2004

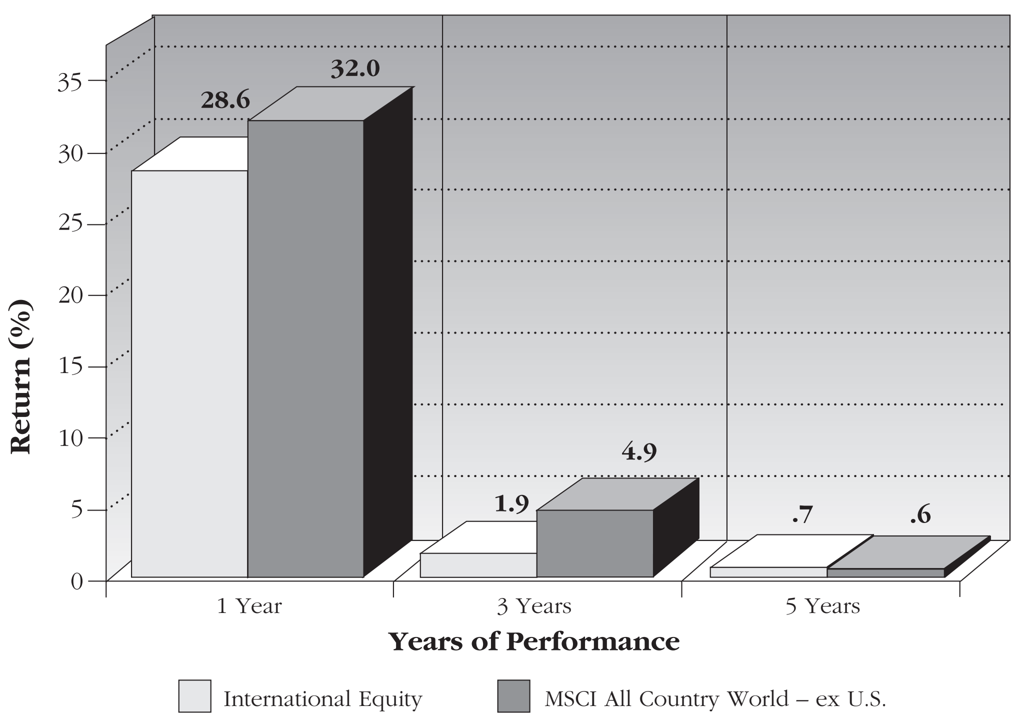


Comparative Investment Returns Ending June 30, 2004

DOMESTIC EQUITY

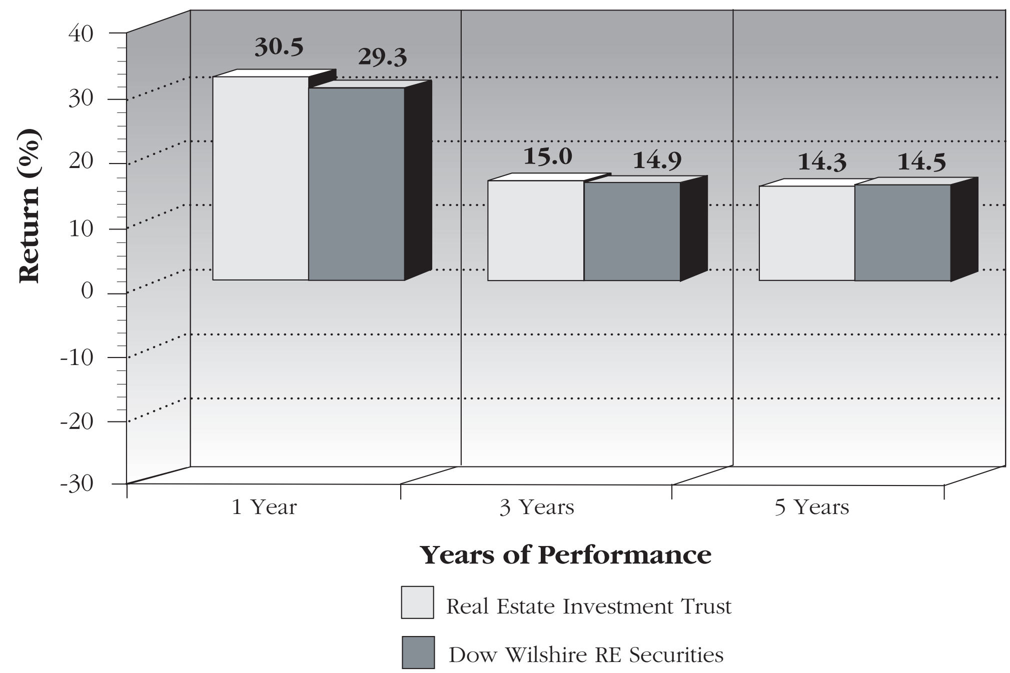


INTERNATIONAL EQUITY

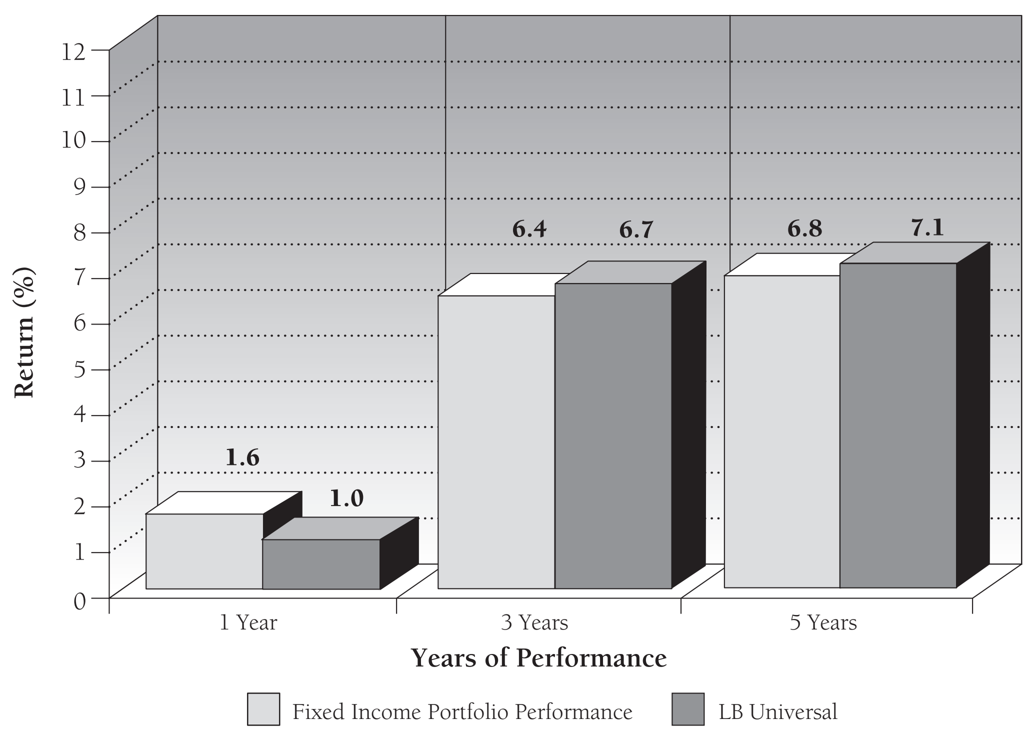


COMPARATIVE INVESTMENT RETURNS ENDING JUNE 30, 2004

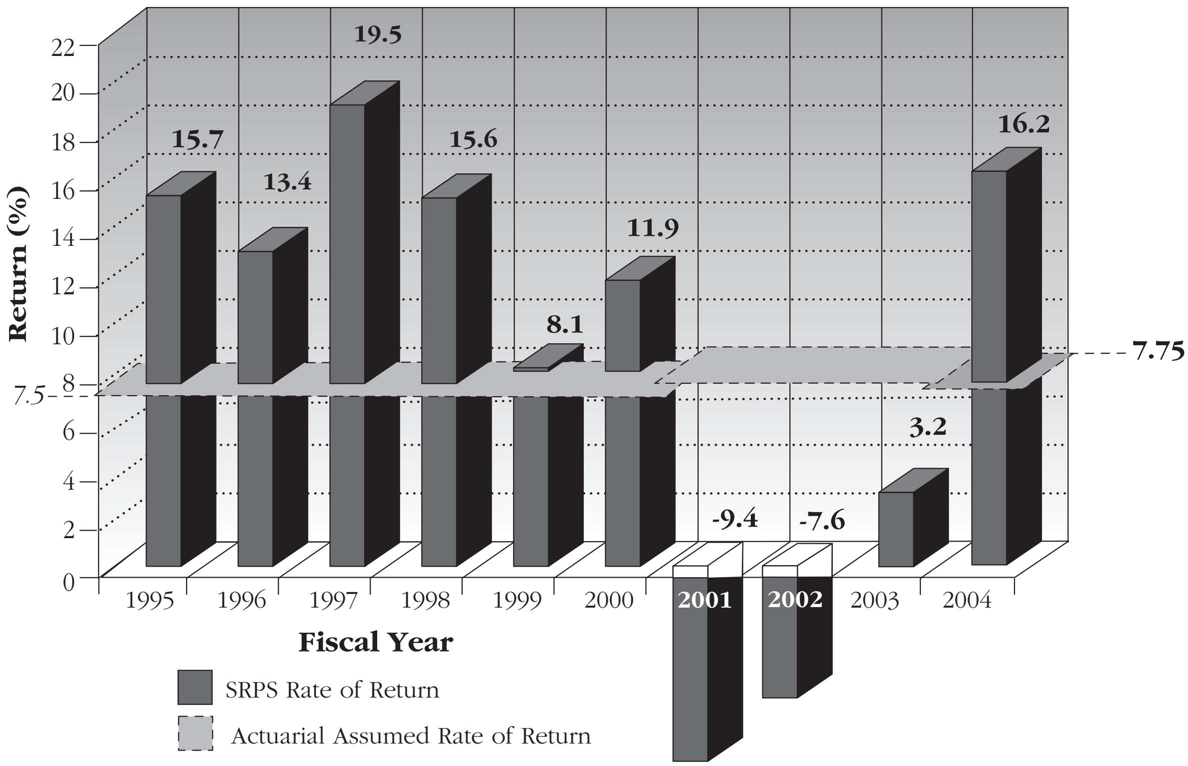
REAL ESTATE INVESTMENT TRUST



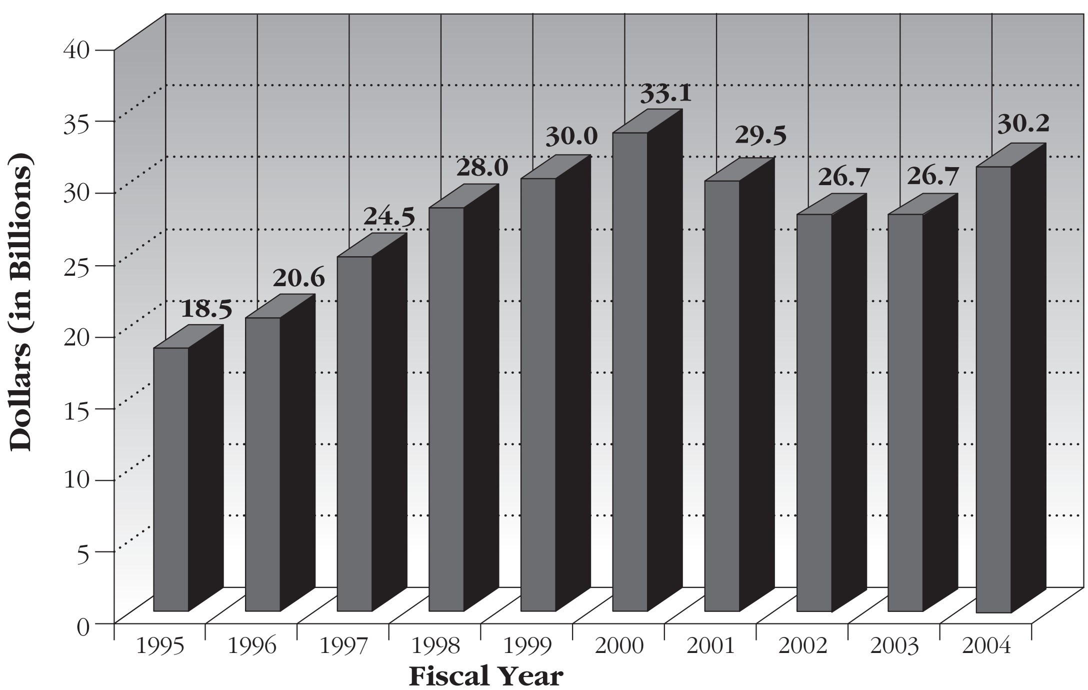
FIXED INCOME



TEN-YEAR HISTORY OF TIME-WEIGHTED ANNUAL RETURNS



TEN-YEAR GROWTH OF INVESTMENT PORTFOLIO



LARGEST 25 HOLDINGS

as of June 30, 2004

EQUITY INCOME SECURITIES:	No. of Shares	Fair Value
Nestle SA	338,570	$ 90,292,542
Ebay, Inc.	926,810	85,220,180
General Electric Company	2,510,310	81,334,044
Microsoft Corporation	2,686,643	76,730,524
UBS AG	998,501	70,359,081
Vodafone Group	30,548,278	66,894,646
Nextel Communications, Inc.	2,419,117	64,493,659
Amazon.Com, Inc.	1,177,000	64,028,800
First Data Corporation	1,402,576	62,442,684
Total SA	320,395	61,083,009
Waste Management, Inc.	1,980,605	60,705,543
Tyco International Ltd.	1,770,000	58,657,800
Yahoo, Inc.	1,590,546	57,784,536
ENI	2,656,203	52,740,849
Cisco Systems, Inc.	2,205,870	52,279,119
Novartis AG	1,181,430	52,119,137
Countrywide Financial Corporation	738,694	51,893,254
Eli Lilly & Co.	732,572	51,214,109
Research In Motion LTD	743,300	50,871,452
E On AG	689,473	49,743,650
Apollo Group, Inc.	557,072	49,183,887
Nippon Tel & Tel	9,179	49,043,275
Astrazeneca PLC	1,064,240	48,571,914
Swiss Reinsurance Company	730,336	47,439,184
ING Groep NV	1,981,910	46,779,045
TOTAL		$1,501,905,923

FIXED INCOME SECURITIES	Par	Fair Value
United States Treasury Notes, 4% due June 15, 2009	$104,500,000	105,406,012
Federal National Mortgage Assn. TBA, 5.5% due Dec. 1, 2099	89,110,000	88,650,531
Federal National Mortgage Assn. TBA, 6.0% due Dec. 1, 2099	81,200,000	84,536,817
United States Treasury Notes, 1.875% due July 15, 2013	84,981,205	83,972,478
United States Treasury Notes, 2.5% due May 31, 2006	74,590,000	74,332,664
Government National Mortgage Assn. TBA, 5.5% due Dec. 1, 2099	70,030,000	69,898,694
United States Treasury Bonds, 3.875% due Apr. 15, 2029	53,606,342	68,397,404
Federal National Mortgage Assn. TBA, 6.5% due Dec. 1, 2099	61,610,000	64,136,971
United States Treasury Notes, 3.875% due Jan. 15, 2009	56,187,704	62,640,300
Federal National Mortgage Assn. TBA, 4.5% due Dec. 1, 2099	60,900,000	59,491,688
Federal Home Loan Mortgage Corp, 5.0% due Dec. 1, 2099	61,200,000	59,077,125
United States Treasury Notes, 3.125% due May 15, 2007	53,950,000	53,954,314
Federal National Mortgage Assn. TBA, 5.0% due Dec. 1, 2099	51,590,000	51,461,025
Federal National Mortgage Assn. TBA, 6.0% due Dec. 1, 2099	47,430,000	48,208,146
Government National Mortgage Assn. TBA, 5.0% due Dec. 1, 2099	49,400,000	47,875,546
Federal National Mortgage Assn. TBA, 6.0% due Dec. 1, 2099	43,600,000	44,485,625
Federal National Mortgage Assn. TBA, 5.0% due Dec. 1, 2099	45,500,000	43,946,603
Federal National Mortgage Assn. TBA, 7.0% due Dec. 1, 2099	31,450,000	33,179,750
Government National Mortgage Assn. Pool 781636, 5.5% due July 15,2033	30,656,062	30,710,158
Kingdom of Sweden, 8.0% due Aug. 15, 2007	197,000,000	29,512,276
United States Treasury Bonds, 6.25% due Aug. 15, 2023	25,900,000	28,683,474
Federal Home Loan Mortgage Corp TBA, 5.5% due Dec. 1, 2099	26,900,000	27,475,827
Federal Home Loan Mortgage Corp TBA, 4.5% due Dec. 1, 2099	27,420,000	26,768,775
United States Treasury Notes, 1.625% due Feb. 28, 2006	27,100,000	26,702,986
Chevy Chase FDG LLC, 1% due July 25, 2034	26,688,605	26,688,605
TOTAL		$1,340,193,794

A complete list of portfolio holdings is available upon request.

DOMESTIC AND INTERNATIONAL EQUITY COMMISSIONS TO BROKERS
for the Fiscal Year Ended June 30, 2004
(Expressed in Thousands)

Brokers *	Total Shares	Total Commission
Merrill Lynch & Co., Inc.	34,404	$ 684
Goldman Sachs & Co.	27,687	554
Morgan Stanley & Co.	23,502	486
Credit Suisse First Boston	30,881	466
Citigroup Global Markets	30,077	443
UBS	23,038	467
Jefferies Company, Inc.	8,219	405
Deutsche Bank	25,510	389
Lehman Brothers, Inc.	9,002	308
Bear Stearns	12,978	275
State Street Brokerage	24,359	247
Warburg Dillon Read	33,086	237
Credit Lyonnais Securities	32,315	225
Pershing Securities	4,673	224
Legg Mason Wood Walker, Inc.	4,422	204
JP Morgan Securities, Inc.	12,826	196
Banc of America	4,001	189
ABN Amro	10,449	142
Thomas Weisel Partners	2,514	121
Wachovia	2,450	118
BHF Securities Corporation	32,671	112
Ferris Baker Watts, Inc.	2,097	104
Sanford Bernstein	3,199	102
Green Street Advisors	2,026	101
Other Broker Fees	81,192	2,033
Total broker commissions	477,578	$8,832

** Proceeds from the sale and disbursements for the purchase of securities are reported net of brokers' commissions. As such, brokers' commissions are not included as investment expenses on the Statements of Changes in Plan Net Assets. Other broker fees include 174 other brokers each receiving less than $95,000 in total commissions.*

For the fiscal year ended June 30, 2004, total domestic equity commissions averaged 3.86 cents per share, and total international equity commissions averaged 14.75 basis points per share.